



**Auditor of State
Betty Montgomery**

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

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**Auditor of State
Betty Montgomery**

Village of Bergholz
Jefferson County
P O Box 242
256-1 Second Street
Bergholz, Ohio 43908-0242

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

December 27, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bergholz
Jefferson County
P O Box 242
256-1 Second Street
Bergholz, Ohio 43908-0242

To the Village Council:

We have audited the accompanying financial statements of Village of Bergholz, Jefferson County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Bergholz, Jefferson County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery". The script is cursive and fluid, with the first letters of the first and last names being capitalized and prominent.

Betty Montgomery
Auditor of State

December 27, 2005

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$16,904	\$7,106	\$24,010
Intergovernmental Receipts	53,562	26,539	80,101
Fines, Licenses, and Permits	8,846		8,846
Earnings on Investments	158		158
Miscellaneous	19,585		19,585
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	99,055	33,645	132,700
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	16,341	3,896	20,237
Public Health Services	781		781
Leisure Time Activities	8,214		8,214
Community Environment	125		125
Basic Utility Services	1,293		1,293
Transportation	2,884	22,985	25,869
General Government	51,596	94	51,690
Capital Outlay	25,915		25,915
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	107,149	26,975	134,124
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(8,094)	6,670	(1,424)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	99,562	27,532	127,094
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$91,468</u>	<u>\$34,202</u>	<u>\$125,670</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$55,244		\$55,244
Miscellaneous	10,084		10,084
	<u>65,328</u>		<u>65,328</u>
Total Operating Cash Receipts			
	<u>65,328</u>		<u>65,328</u>
Operating Cash Disbursements:			
Personal Services and Fringe Benefits	45,226		45,226
Contractual Services	7,208		7,208
Supplies and Materials	9,583		9,583
	<u>62,017</u>		<u>62,017</u>
Total Operating Cash Disbursements			
	<u>62,017</u>		<u>62,017</u>
Operating Income/(Loss)	<u>3,311</u>		<u>3,311</u>
Non-Operating Cash Receipts:			
Mayor's Court Receipts		\$8,744	8,744
Other Non-Operating Receipts	2,169	50	2,219
	<u>2,169</u>	<u>8,794</u>	<u>10,963</u>
Total Non-Operating Cash Receipts			
	<u>2,169</u>	<u>8,794</u>	<u>10,963</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	1,844	8,831	10,675
	<u>1,844</u>	<u>8,831</u>	<u>10,675</u>
Total Non-Operating Cash Disbursements			
	<u>1,844</u>	<u>8,831</u>	<u>10,675</u>
Net Receipts Over/(Under) Disbursements	3,636	(37)	3,599
Fund Cash Balances, January 1	7,157	\$37	7,194
	<u>7,157</u>	<u>\$37</u>	<u>7,194</u>
Fund Cash Balances, December 31	<u>\$10,793</u>	<u>\$37</u>	<u>\$10,793</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$14,904	\$3,555	\$18,459
Intergovernmental Receipts	20,016	27,010	47,026
Fines, Licenses, and Permits	13,415		13,415
Earnings on Investments	354		354
Miscellaneous	13,507		13,507
Total Cash Receipts	62,196	30,565	92,761
Cash Disbursements:			
Current:			
Security of Persons and Property	19,190	6,648	25,838
Public Health Services	789		789
Leisure Time Activities	2,870		2,870
Community Environment	125		125
Basic Utility Services	1,388	488	1,876
Transportation	3,900	22,599	26,499
General Government	43,189	893	44,082
Capital Outlay	8,000		8,000
Total Cash Disbursements	79,451	30,628	110,079
Total Receipts Over/(Under) Disbursements	(17,255)	(63)	(17,318)
Fund Cash Balances, January 1	116,817	27,595	144,412
Fund Cash Balances, December 31	\$99,562	\$27,532	\$127,094

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$47,554		\$47,554
Miscellaneous	135		135
	<u>47,689</u>		<u>47,689</u>
Total Operating Cash Receipts			
	<u>47,689</u>		<u>47,689</u>
Operating Cash Disbursements:			
Personal Services and Fringe Benefits	49,175		49,175
Contractual Services	9,008		9,008
Supplies and Materials	11,298		11,298
	<u>69,481</u>		<u>69,481</u>
Total Operating Cash Disbursements			
	<u>69,481</u>		<u>69,481</u>
Operating Income/(Loss)	<u>(21,792)</u>		<u>(21,792)</u>
Non-Operating Cash Receipts:			
Mayor's Court Receipts		\$14,869	14,869
Other Non-Operating Receipts	1,931		1,931
Earnings on Investments	31		31
	<u>1,962</u>		<u>16,831</u>
Total Non-Operating Cash Receipts			
	<u>1,962</u>	<u>14,869</u>	<u>16,831</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	1,218	14,832	16,050
	<u>1,218</u>	<u>14,832</u>	<u>16,050</u>
Total Non-Operating Cash Disbursements			
	<u>1,218</u>	<u>14,832</u>	<u>16,050</u>
Net Receipts Over/(Under) Disbursements	(21,048)	37	(21,011)
Fund Cash Balances, January 1	<u>28,205</u>		<u>28,205</u>
Fund Cash Balances, December 31	<u>\$7,157</u>	<u>\$37</u>	<u>\$7,194</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Bergholz, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government, including water utilities, street repair and maintenance, police protection, and leisure time activities. The Village contracts with the Bergholz Volunteer Fire Department to provide fire protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance, and Repair Fund - This fund receives gas tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Fund

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary (Agency) Fund:

Mayor's Court Fund - This fund is used to account for all financial transactions of the Village's Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments as required by Ohio Revised Code Section 5705.41(D).

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2004	2003
Demand deposits	\$136,463	\$121,611
Certificates of deposit		12,677
Total deposits	<u>\$136,463</u>	<u>\$134,288</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,416	\$99,055	\$40,639
Special Revenue	25,812	33,645	7,833
Enterprise	56,000	67,497	11,497
Total	<u>\$140,228</u>	<u>\$200,197</u>	<u>\$59,969</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$157,996	\$107,149	\$50,847
Special Revenue	53,285	26,975	26,310
Enterprise	63,198	63,861	(663)
Total	<u>\$274,479</u>	<u>\$197,985</u>	<u>\$76,494</u>

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,923	\$62,196	(\$2,727)
Special Revenue	25,829	30,565	4,736
Enterprise	45,000	49,651	4,651
Total	<u>\$135,752</u>	<u>\$142,412</u>	<u>\$6,660</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$184,233	\$79,451	\$104,782
Special Revenue	50,931	30,628	20,303
Enterprise	73,206	70,699	2,507
Total	<u>\$308,370</u>	<u>\$180,778</u>	<u>\$127,592</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the December 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2003 and 2004, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RISK MANAGEMENT (Continued)

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

7. COMPLIANCE

Contrary to Ohio Revised Code Sections 733.28 and 733.45, the Village Clerk/Treasurer failed to keep the books of the Village, exhibit accurate statements of all moneys received and expended and to report to the Village Council on the financial condition of the Village.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Bergholz
Jefferson County
P O Box 242
256-1 Second Street
Bergholz, Ohio 43908-0242

To the Village Council:

We have audited the financial statements of Village of Bergholz, Jefferson County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 27, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated December 27, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated December 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Betty Montgomery
Auditor of State

December 27, 2005

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Non-Compliance Citation

Ohio Revised Code Section 733.28 provides in part that the village clerk shall keep books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.

Ohio Revised Code Section 733.43 provides in part that the village treasurer shall so arrange the books so that the amounts received and paid on accounts of separate funds, or specified appropriations, shall be exhibited in separate accounts.

Ohio Revised Code Section 733.45 provides in part that at the first January meeting of Village Council each year, the treasurer shall report on the village financial condition, including amounts of receipts, disbursements and accounts. The balance of each fund shall also be reported.

The Clerk/Treasurer did not keep accurate records of all moneys received and expended by the Village. The purchases and redemptions of certificates of deposits were posted as revenue and expenditures, resulting in overstatements of revenue and expenditures by \$12,708 in 2004 and \$16,513 in 2003. Revenues and expenditures were posted using incorrect codes and classifications, resulting in reclassifications of \$71,590 in 2004 and \$125,785 in 2003. Prior period adjustments were not posted in 2003 and Mayor's Court activity was not posted to the ledgers in either year of the audit period. An accurate report of the Village financial condition was not presented to the Village Council at their first meeting in January 2004 or in January 2003.

The Village Clerk/Treasurer should keep an accurate account of all moneys received and expended by the Village. The Clerk/Treasurer should also complete accurate monthly bank reconciliations, which would effectively disclose bookkeeping errors. The Village Clerk/Treasurer should also prepare accurate financial reports for Village Council, including amounts of receipts, disbursements and balances of each fund. Adjustments to properly reflect activity of all funds were made by the Village and are included in the accompanying financial statements.

FINDING NUMBER 2004-002

Non-Compliance Citation

Ohio Revised Code Section 5705.41 (D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

1. **Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 (\$1,000 prior to April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 39% of tested expenditures in 2003 and 59% of tested expenditures in 2004. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Clerk/Treasurer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-31241-001	ORC § 733.28 The Clerk/Treasurer failed to keep accurate records.	No	Cited again as Finding number 2004-001.
2002-31241-002	ORC § 5705.41 (D) Disbursements were not properly certified.	No	Cited again as Finding number 2004-002.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

VILLAGE OF BERGHOLZ

JEFFERSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2006**